


# Pavilion REIT expects retail sales normalisation amid cost of living concerns

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PETALING JAYA: Pavilion Real Estate Investment Trust  (Pavilion REIT) expects retail sales to undergo a normalisation path for the remainder of the year, due to moderation in spending after a strong recovery in 2022 besides concerns of higher cost of living.

“Other than supporting tenants as a continuous marketing strategy, building loyalty and pro-actively organising captivating events and activities remains a key priority to drive shoppers and visitors to Pavilion REIT malls,” it said in a filing with Bursa Malaysia.

For its second quarter ended June 30, 2023, Pavilion REIT’s net profit grew to RM62.89mil from RM54.98mil in the previous corresponding period,

Revenue meanwhile improved to RM159.97mil from RM136.71mil a year earlier.

Basic earnings per share stood at 1.93 sen versus 1.80 previously.

Pavilion REIT said its second quarter earnings performance was mainly contributed by income from the new property, Pavilion Bukit Jalil that was acquired on June 1, 2023; higher occupancy rate and higher revenue rent for existing retail malls.

“Income from advertising and marketing events also increased as compared to the second quarter of 2022.”

Pavilion REIT said total property operating expenses were higher by RM5.3mil or 10% as compared to the previous corresponding quarter, mainly due to operating expenses incurred for the new property and increase of electricity tariff surcharge by the government from 3.7 sen to 20 sen per kilowatt hour from Jan 1, 2023.

“These have resulted in higher net property income by RM17.9mil or 22% in the second quarter of 2023, as compared to the second quarter of 2022.

For the six-months period ended June 30, 2023, net profit grew to RM132.94mil from RM120.22mil in the previous corresponding period, while revenue rose to 316.38mil from RM271.29mil a year earlier.

Pavilion REIT said distributable income for year-to-date June 30, 2023 was RM139.4mil.

“Pavilion REIT has expended approximately RM5.7mil of its capital commitment during the period, mainly for reconfiguring tenancy lots at Fashion Avenue and Elite Pavilion Mall.”

Going forward, Pavilion REIT noted that Retail Group Malaysia had revised Malaysia’s annual retail industry growth rate for 2023 to 4.8% from 4%, previously.

“The rationale is that the recovery of Malaysia’s retail industry has been sustainable since the end of 2021.

“Shopping traffic has returned to all major shopping malls and commercial centres located across the country, with consumers buying non-essential goods and dining in good quality café and restaurants.”